

## Message Text

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73

ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 CIAE-00 DODE-00 PM-09 H-02

INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15

USIA-12 COME-00 OMB-01 TRSE-00 CIEP-02 RSR-01 /107 W

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R 081721 Z MAY 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 4915

INFO AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

C O N F I D E N T I A L BONN 6608

E. O. 11652: GDS

TAGS: TSPA, FIND, ESTC, GW, EEC

SUBJECT: COLLABORATION BY US AND FRG FIRMS WITHIN THE AIRCRAFT  
INDUSTRY

1. SUMMARY: THE FRG ECONOMICS MINISTRY HAS ASKED THE EMBASSY FOR US POLICY VIEWS ON PRESENT EFFORTS BY PRATT AND WHITNEY, GENERAL ELECTRIC AND BOEING TO CONCLUDE COOPERATIVE ARRANGEMENTS WITH FRG AND OTHER EUROPEAN FIRMS FOR THE DEVELOPMENT AND PRODUCTION OF HIGH TECHNOLOGY AIRCRAFT ENGINES AND RELATED AIRFRAMES. FORTHCOMING DECISIONS WHICH MUST BE MADE BY THE FRG ON ITS AEROSPACE INDUSTRY WOULD BE STRONGLY INFLUENCED BY US VIEWS ON SUCH ARRANGEMENTS, AND WHETHER US FIRMS SUCH AS PRATT AND WHITNEY AND GENERAL ELECTRIC WERE PERMITTED TO EXPORT THE REQUIRED TECHNOLOGY. ACTION REQUESTED: THE DEPARTMENT'S VIEWS ON THE QUESTION RAISED BY THE MINISTRY WOULD BE APPRECIATED AS WELL AS INSTRUCTIONS AS TO HOW THE EMBASSY SHOULD REPLY TO THE MINISTRY'S INQUIRY. END SUMMARY.

2. MINISTERIAL DIREKTOR ( ASSISTANT SECRETARY) ENGELMANN, IN CHARGE OF THE INDUSTRIAL PRODUCTS DIVISION OF THE ECONOMICS MINISTRY ASKED THE ECONOMI/ COMMERCIAL MINISTER- COUNSELOR AND THE  
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CIVIL AIR ATTACHE TO CALL TO DISCUSS US/ FRG AND EEC RELATIONS IN THE AEROSPACE INDUSTRY AND IN PARTICULAR THE COOPERATIVE DEVELOPMENT AND SALES BY INDUSTRY OF NEW PRODUCTS. DR. ENGELMANN WAS ACCOMPANIED BY DR. SCHOMERUS, IN CHARGE OF AEROSPACE IN-

DUSTY AFFAIRS IN THE ECONOMICS MINISTRY.

3. ENGELMANN, IN SOME GENERAL REMARKS ON THE FRG AND EEC AIRCRAFT INDUSTRIES, POINTED TO THE COOPERATIVE VENTURES UNDERTAKEN BY EUROPEAN GOVERNMENTS AND INDUSTRY, CITING IN PARTICULAR THE CONCORDE ( QUOTE DISASTROUS UNQUOTE) AND THE A-300 AIRBUS. OTHER VENTURES, SUCH AS THE MRCA, WERE TAKING PLACE IN DIFFERENT AREAS, HE NOTED, INCLUDING THE PLANNED EUROPEAN CONTRIBUTION TO THE POST- APOLLO PROGRAM. THE FRG, HE SAID, HAS IN RECENT YEARS PROVIDED ESSENTIAL SUPPORT TO THE GERMAN AEROSPACE INDUSTRY, EVEN THOUGH THE INDUSTRY STILL WAS NOT VERY LARGE AND THE GOVERNMENT'S SUPPORT HAD NOT AMOUNTED IN ABSOLUTE TERMS TO VERY LARGE SUMS. THE SITUATION NOW WAS SOMEWHAT DIFFERENT. THE GERMAN CABINET WAS FACED WITH MAJOR DECISION IN JUNE AS TO WHETHER TO GO AHEAD AND PROVIDE ADDITIONAL SUBSTANTIAL FINANCING FOR THE SERIES PRODUCTION OF THE AIRBUS. FURTHERMORE, THE FRG WAS IN REGULAR CONTACT WITH THE UK AND FRENCH ON LONGER RANGE DEVELOPMENTS IMPORTANT TO THE FUTURE OF THE EUROPEAN AEROSPACE INDUSTRY. AS WE KNEW, THE INDUSTRY WAS ALSO BEING STUDIED IN THE EEC.

4. A MAJOR FACTOR IN THE FUTURE OF THE INDUSTRY WOULD BE THE POSITION OF THE US GOVERNMENT WITH RESPECT TO PLANS OF US AND EUROPEAN AEROSPACE FIRMS FOR THE COOPERATIVE DEVELOPMENT OF NEW PRODUCTS. DR. ENGELMANN HAD SOUGHT A DISCUSSION WITH MINISTER WOOTTON BECAUSE THE FRG WAS AWARE THAT THE BOEING COMPANY ON THE AIRFRAME SIDE, AND GENERAL ELECTRIC AND PRATT WHITNEY ON THE ENGINE SIDE HAD BEEN ACTIVELY EXPLORING THE POSSIBILITIES OF COOPERATIVE VENTURES BOTH IN EUROPE AND JAPAN. THE ECONOMICS MINISTRY HAD INFORMATION THAT AN ARRANGEMENT BETWEEN PRATT AND WHITNEY AND MTU ( MOTOREN AND TURBINEN- UNION, MUNICH) WAS IN AN ADVANCED STAGE OF NEGOTIATION. HE ALSO BELIEVED THAT BOEING'S DISCUSSIONS WITH AIRCRAFT ENGINE BUILDERS, AS WELL AS WITH AIRFRAME MANUFACTURERS IN THE U. K. AND ITALY AND JAPAN WERE AT AN ADVANCED STAGE.

5. FOR FORTHCOMING DECISIONS ON AEROSPACE PRODUCTION POLICY,  
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PARTICULARLY ON THE INDUSTRIES AND FIRMS IT SHOULD SUPPORT, IT WAS MOST IMPORTANT TO THE FRG AND THE ECONOMICS MINISTRY TO KNOW WHETHER AND TO WHAT DEGREE THE USG SUPPORTED THE ATTEMPTS OF PRIVATE FIRMS SUCH AS BOEING AND PRATT AND WHITNEY TO ESTABLISH COOPERATIVE DEVELOPMENT AND PRODUCTION PROJECTS ( SUCH AS THE BOEING 7 X7) WITH EUROPEAN FIRMS. IF US GOVERNMENT POLICY DID NOT FAVOR CO- DEVELOPMENT AND PRODUCTION OF THIS TYPE, AND USG LICENSES FOR THE NECESSARY TECHNOLOGY WOULD NOT BE FORTHCOMING, THEN IT WOULD BE UNWISE FOR THE FRG TO MAKE AVAILABLE SPECIAL CREDITS, OR OTHERWISE SUPPORT THE EFFORTS OF MTU, FOR EXAMPLE, TO DEVELOP AN AIRCRAFT ENGINE JOINTLY WITH PRATT AND WHITNEY. THE FRG WOULD THEN LOOK AT OTHER WAYS OF PROMOTING ITS AIRCRAFT INDUSTRY.

6. IN REPLY TO DR. ENGELMANN' S REMARKS, WE REVIEWED SOME OF THE PROBLEMS AND DIFFICULT DECISIONS WHICH FACED THE US IN SEEKING TO RESOLVE ITS PRESENT TRADE AND B/ P PROBLEMS. AS FOR THE QUESTIONS ASKED, WHICH RAISED A NUMBER OF COMPLEX ISSUES, THE EMBASSY WOULD INQUIRE OF WASHINGTON. WE WOULD NOT SPECULATE ON THE ANSWERS, THOUGH IT WAS OUR IMPRESSION THAT BOEING' S RECENT EXPLORATIONS HAD BEEN ENTIRELY A COMPANY INITIATIVE.

7. DR. ENGELMANN REITERATED THAT HE WOULD MUCH APPRECIATE HAVING USG VIEWS ON THE COOPERATIVE VENTURES HE HAD DESCRIBED AS SOON AS POSSIBLE, PARTICULARLY BEFORE THE FRG CABINET MEETINGS IN EARLY JUNE AND DISCUSSIONS AMONG THE FRG, UK AND FRENCH AEROSPACE INDUSTRIES WHICH WERE TO FOLLOW LATER THAT MONTH. WHILE EUROPE WAS NOT YET SPEAKING WITH ONE VOICE IN MUCH OF ITS RELATIONS WITH THE U. S., DR. ENGELMANN THOUGHT THAT A COMMON PARIS- LONDON- BONN- ROME APPROACH IN RESPONSE TO THE BOEING INITIATIVE COULD BE TAKEN BY THE U. S. AS CONSTITUTING A EUROPEAN POSITION.  
HILLENBRAND

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